



At the end of 2002, California's economy appears stuck in a holding pattern. Steady growth in home building and the public sector—mainly public schools—continues to counter weakness in other industries, particularly high tech manufacturing.

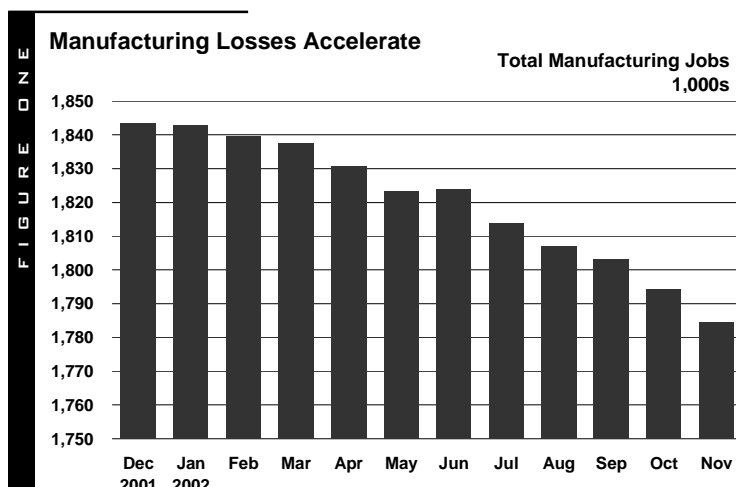
EMPLOYMENT Industry employment in California fell by 10,500 in November, which means that despite the growth achieved in October, the state has lost 15,700 jobs over the last three months. During the first 11 months of 2002, nonfarm employment has fallen by an average of 800 jobs each month.

**MANUFACTURING LEADS
EMPLOYMENT LOSSES**

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The foremost source of November's weakness was manufacturing, which is still hampered by continuing losses in the high technology sectors. Both durable and nondurable manufacturing employment declined, for an overall loss of 9,700. Looking at the more detailed not seasonally adjusted employment estimates, high technology manufacturing—computers, electronics, aircraft, and instruments—accounted for 3,000 of the losses. Employment in these sectors has fallen over 7 percent over the year.

Moreover, manufacturing losses have accelerated recently. During the past five months, the state lost an average of 7,880 manufacturing jobs each month. During the first six months of the year, losses averaged 3,250. Both the durable and nondurable sectors have worsened. Nondurable manufacturing, which includes food processing, apparel and textile manufacturing, and printing and publishing, was expanding through June of this year to the tune of 600 jobs a month, but has since been dropping nearly 3,000 jobs each month. An ominous sign about the continued strength of consumer spending is that food processing has suffered the most dramatic turn-around in this sector, shedding over 2,000 jobs each month during the last five months.



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MORE AIRPORT SCREENERS

Gains in federal employment made government the leading job gainer in November. The continuing transition of airport security screeners to federal payrolls boosted federal employment in California by 2,500, nearly half of the overall public sector growth. Federal government employment in California expanded by 5,900 over October and November. State government payrolls outside of educational institutions dropped by 600 (not seasonally adjusted) in November.

Finance and mining were the only other expanding sectors, adding 2,400 and 100 jobs respectively. Service industries dropped 4,100 jobs with notable weakness in computer programming and, ominously, temporary help services. Construction dropped 1,800 jobs. Falling airline employment led the transportation and utility sector to shed 1,500 workers. Wholesale and retail trade employment fell by 1,100.

Despite the losses, November produced the first year-over-year job gain in 12 months, although only because November 2001 was the recession's low water mark for employment. Over the year, growth in government (58,200), wholesale and retail trade (33,700), services (5,900), and finance, insurance and real estate (200) offset losses in manufacturing (63,100), transportation and public utilities (23,100), construction (8,400), and mining (600).

The state's unemployment rate has hardly varied throughout most of the year. With the exception of a dip to 6.2 percent in February, the state's unemployment rate has been either 6.4 percent or 6.5 percent every month of 2002. November was also true to form, with an unemployment rate of 6.4 percent. Civilian employment increased (65,000), unemployment fell (7,000), while the labor force expanded enough (58,000) to leave the unemployment rate unchanged. Despite the stability, nearly 62,000 more Californians are unemployed than during November of last year.

BUILDING ACTIVITY

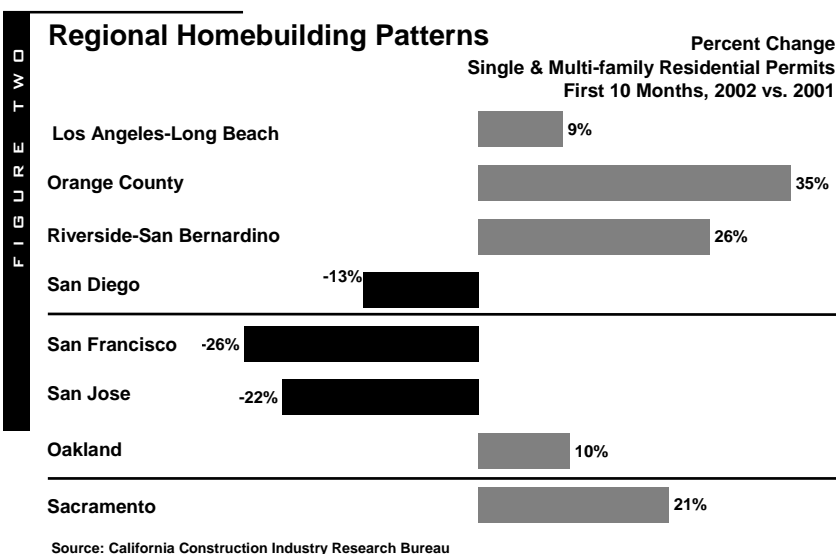
ROBUST HOME BUILDING

Home building is a positive counterpoint to employment conditions. A burst of apartment permitting in Los Angeles helped boost residential building in California in October by 19.5 percent—for a seasonally adjusted annual rate of 208,268 single and multi-family units. This boost followed an 11 percent jump in September.

Residential construction permitting during the first 10 months of 2002

exceeded the 2001 rate by almost 11 percent. Southern California, with the exception of San Diego, has been the chief source of most of this growth. The San Francisco Bay Area, in contrast, has been the weakest homebuilding region in California. Residential permitting there thus far in 2002 lags last year's rate by over 8 percent.

Nonresidential construction advanced 7.8 percent in October, spurred by a surge of industrial construction activity. Additions and alterations, as well as parking garage, amusement and recreation and service station construction also increased in October. Office construction remained weak.



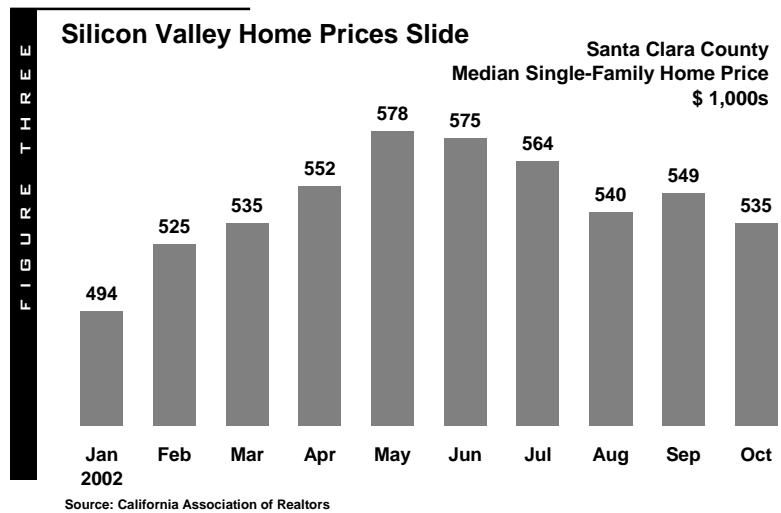
REAL ESTATE

HOME PRICES WEAKEN IN THE SILICON VALLEY — . . . —

Despite October's growth, total nonresidential permitting through the first ten months of the year is 19 percent short of last year's pace. The deficit comes principally from dramatically curtailed office and industrial construction. The slowdown in San Francisco from overheated office construction in 2001 accounts for a significant share of the overall slowdown. Office building permit issuances in San Francisco—which accounted for nearly one-fifth of the state's total last year—have fallen over 77 percent from the first ten months of 2001.

Home sales rebounded in October following September's slump. Existing home sales reached a seasonally adjusted annual rate of 579,240 units in October, a 17 percent increase from one year ago. Home sales picked up smartly in Monterey, San Francisco, Santa Clara, and Ventura counties.

Despite rising sales, California's single-family home prices continued to linger in the \$324,000 neighborhood in October. The median price dropped slightly to \$322,730. Home prices have now fallen in four out of the last six months. Notably, in Santa Clara County, which during the last several years enjoyed the state's fastest home price appreciation, the median single-family home price has fallen over 7 percent since May.



NAICS: A NEW DATA STRUCTURE

Comprehensive and detailed economic data are vital to judging the health of the economy. Consistent historical information is also essential to developing credible forecasts. Thus the organization of published economic data is near and dear to the hearts of most economists, forecasters, financial analysts, and economy-watchers in general. Beginning in January 2003 the most widely used economic information will undergo the most dramatic reorganization since the 1930's.

THE ECONOMY OUTGROWS SIC — . . . —

The North American Industrial Classification System (NAICS) will supercede the Standard Industrial Classification system (SIC) that was originally developed in the 1930's. The old SIC system classified establishments by the type of activity in which they are primarily engaged, thus allowing comparisons of establishment data describing various facets of the U.S. economy. The SIC system covers the entire field of economic activities by defining industries in accordance with the composition and structure of the economy. It was revised periodically—1987 most recently—to reflect the economy's changing industry structures.

SIC's efficacy was diminished by dramatic changes in both the U.S. and world economies. The 1991 International Conference on the Classification of Economic Activities examined the issues and considered new approaches to classifying economic activity. In 1992, the U.S. Office of Management of Budget (OMB) established the Economic Classification Policy Committee chaired by the Bureau of Economic Analysis. It included representatives from the Bureau of the Census, U.S. Department of Commerce, and the Bureau of Labor Statistics, U.S. Department of Labor. The OMB charged the committee with examining economic classifications for statistical purposes and determining the desirability of developing a new industry classification system. In 1993, OMB announced its intention to revise the SIC for 1997. This process also involved statistical agencies from Canada and Mexico in order to produce a common industry classification system for all three North American countries.

The resulting NAICS system was based on a new concept of classifying establishments based on their production processes rather than the activity they are engaged in. NAICS focuses on how products and services are created, as opposed to SIC which focused on what is produced. NAICS classifications yield significantly different industry groupings than those produced under SIC. Due to these differences, it will initially be difficult to make direct comparisons between the two types of data. This will therefore have a significant impact on users of this type of data who rely on consistent time series data.

NEW EMPLOYMENT DATA FOR CALIFORNIA — . . . —

Starting in February 2003, the California Employment Development Department will begin releasing official industry employment estimates using NAICS. It is providing its users with the NAICS industry structure for California, MSAs, and counties in advance of the February release (<http://www.calmis.ca.gov/file/hws-naics/hws-naics.htm>). Initially only NAICS employment estimates by month for January 2001 through January 2003 will be available for California as a whole, MSAs, and counties not in MSAs. Historical data going back to January 1990 by NAICS code will be made available throughout 2003 based upon the type of geographic area. NAICS employment estimates, including 2001 and 2002, for counties in multi-county MSAs will not be available until late 2003.

NAICS uses a production-oriented, or supply-based, framework and gives special attention to new and emerging industries, service industries in general, and industries engaged in the production of advanced technologies. Establishments, as opposed to firms or agencies, that use identical or similar **production processes** are grouped together.

In contrast to the 4-digit SIC code, NAICS industries are identified by a 6-digit code. It can thus accommodate a larger number of sectors, as well as allowing more flexibility in designating subsectors. The international NAICS agreement fixes only the first five digits of the code. The sixth digit can be used to identify subdivisions of industries that accommodate user needs in individual countries. Thus, 6-digit U.S. codes may differ from counterparts in Canada or Mexico, but at the 5-digit level they are standardized.

20 SECTORS INSTEAD OF 10

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The NAICS hierarchy breaks categories down into industry sectors (2 digit), subsectors (3 digit), groups (4 digit), industry (5 digit), and lastly into U.S., Canadian, or Mexican special subindustries. As an example, the following table illustrates the difference between the NAICS and SIC classification of industrial building construction.

FIGURE FOUR

	NAICS Industry	NAICS Code	SIC Industry	SIC Code
Sector	Construction	23	Construction	15 - 17
Subsector	Construction of Buildings	236	General Building Contractors-Nonresidential	154
Group	Nonresidential Building Construction	2362	General Contractors-Industrial Buildings and Warehouses	1541
Industry	Industrial Building Construction	23621		

NAICS groups the economy into 20 broad sectors, twice as many as the 10 divisions of the SIC system. Many of the new sectors coincide with subsectors of SIC divisions. For instance, NAICS sector 22, Utilities, was broken out from the SIC division Transportation, Communications, and Utilities. Similarly, the SIC division for Service Industries has been subdivided to form several new sectors:

- Professional, Scientific and Technical Services (54)
- Administrative, Support, Waste Management, and Remediation Services (56)
- Education Services (61)
- Health and Social Assistance (62)
- Arts, Entertainment, and Recreation (71)
- Other Services except Public Administration (81)

Other sectors represent combinations of pieces from more than one SIC division. The new Information sector (51) includes major components from Transportation, Communications, and Utilities (broadcasting and telecommunications), Manufacturing (publishing), and Services Industries (software publishing, data processing, information services, motion picture and sound recording). The Accommodation and Food Services sector pulls together hotels and other lodging places from Service Industries and eating and drinking places from Retail Trade.

Auxiliary Establishments

One new feature of NAICS will greatly complicate its comparison to SIC organized data but at the same time addresses an inconsistency of the SIC system. Under SIC, the supporting service functions of an enterprise were classified, and thus counted, under the enterprise's industry code. However, a supporting **manufacturing** establishment that produced goods for use by the enterprise was classified according to its primary activity, not the primary activity of the establishment.

FIGURE FIVE

NAICS Sectors

11	Agriculture, Forestry, Fishing and Hunting
21	Mining
22	Utilities
23	Construction
31-33	Manufacturing
42	Wholesale Trade
44-45	Retail Trade
48-49	Transportation and Warehousing
51	Information
52	Finance and Insurance
53	Real Estate and Rental and Leasing
54	Professional, Scientific, and Technical Services
55	Management of Companies and Enterprises
56	Administrative and Support and Waste Management and Remediation Services
61	Education Services
62	Health Care and Social Assistance
71	Arts, Entertainment, and Recreation
72	Accommodation and Food Services
81	Other Services (except Public Administration)
92	Public Administration

NAICS classifies auxiliary establishments based on what they do, not on whom they serve. The production-oriented concept of NAICS mandated this change.

Auxiliary establishments are those that primarily produce support services for other establishments of the enterprise. Generally, these support services are not intended for use outside of the enterprise. In NAICS, these establishments are classified according to the establishment's primary activity. For example, an establishment providing data processing services for an enterprise is classified in NAICS 51421, Data Processing Services. An establishment that is the head office of an enterprise is classified in the new NAICS industry 551113, Corporate, Subsidiary, and Regional Managing Offices. In the 1987 SIC, each of these establishments was classified according to the primary activity of the establishment for which the support activity was performed. In the above examples, if those support units primarily served an automobile making plant, the support establishment was classified in automobile manufacturing.

This change will lead to significant shifts in employment data. In 1992, national Census data showed over 1,000,000 auxiliary employees assigned to manufacturing and over 840,000 auxiliary employees assigned to retail trade. These employees are most likely to move to either the Management of Companies and Enterprises sector; the Warehousing and Storage subsector; the Computer Systems Design and Related Services subsector; the Accounting, Tax Preparation, Bookkeeping and Payroll Services subsector; or some other services-related subsector. For the 1997 Economic Census, these auxiliary establishments will be dual coded by primary activity and by whom they serve. The data will be shown separately to provide data users with the necessary links to prior information.

Significant Changes By Industry Sector

Manufacturing

The number of manufacturing industries rose to 474 under NAICS from 459 in the SIC system. There are 79 new industries and another 186 revised classifications.

The most significant change is the addition of the Computer and Electronic Product Manufacturing subsector, which includes establishments that produce computers, computer peripherals, communications equipment, similar electronic products, and the components for such products. The subsector was created because of the economic significance these industries have obtained, and because the production processes of the establishments in these industries are fundamentally different from the production processes for other machinery and equipment.

Retail and Wholesale Trade

NAICS classifies trade establishments according to what they do, rather than according to whom their customers are. Retailers are defined as those establishments that sell merchandise, without transformation, and attract customers using methods such as advertising, point-of-sale location, and display of merchandise.

Wholesalers, on the other hand, sell or arrange the sale of:

- goods for resale
- capital or durable nonconsumer goods
- raw and intermediate materials and supplies used in production

Wholesalers normally operate from a warehouse or office and are characterized by having little or no display of merchandise.

SIC defined retailers as those establishments that sold primarily to consumers while wholesalers were those establishments that sold primarily to business customers and thus the distinction between the two was based on the class of customer rather than the selling characteristics of the

establishment. Approximately 7 percent of computer wholesalers; 22 percent of office supply wholesalers; 35 percent of farm supply wholesalers; and 57 percent of petroleum bulk stations may move to retail.

Restaurants were removed from retail trade and were combined with accommodations (hotels, motels, and campgrounds) to form a new sector, Accommodation and Food Services (72).

Information

The most significant organizational change in NAICS is the creation of the new Information sector (51). This sector includes establishments that create, disseminate, or provide the means to distribute information, as well as those that provide data processing services. This sector includes newspaper, book, and periodical publishers from the SIC manufacturing sector; software publishers from SIC services; broadcasting and telecommunications producers and distributors from the SIC utilities and transportation; and motion picture and sound recording industries, information services, and data processing services from the SIC service industries services.

FIGURE SIX	NAICS Information Sectors	Previously Included in SIC Sector
	Publishing Industries	Manufacturing
	Motion Picture and Sound Recording Industries	Services
	Broadcasting and Telecommunications	Utilities
	Information Services and Data Processing Services	Services

Information also includes 20 of 34 new NAICS industries include paging, cellular and other wireless telecommunications, and satellite telecommunications.

Finance and Insurance

This new sector recognizes the important and dynamic changes occurring in the U.S. financial sector. Real estate—part of this grouping under SIC—was moved to a new sector called Real Estate and Rental and Leasing.

Real Estate and Rental and Leasing

This sector includes industries from Services; Finance, Insurance, and Real Estate; and Transportation, Communications, and Public Utilities

Professional, Scientific, and Technical Services

Those businesses whose major input is human capital are grouped together in this new sector. The industries within this sector are each defined by the expertise and training of the service provider. The sector includes such industries as offices of lawyers, engineering services, architectural services, advertising services, veterinary services, advertising services, and interior design services.

Administrative and Support; Waste Management and Remediation Services

This sector includes industries from Services; Transportation, Communications, and Utilities; Construction; and Agriculture, Forestry, and Fishing

FIGURE SEVEN	New U.S. industries identified in NAICS
	Semiconductor machinery manufacturing
	Fiber optic cable manufacturing
	Reproduction of computer software
	Manufacture of compact discs except software
	Convenience stores
	Gas stations with convenience food
	Warehouse clubs
	Food/health supplement stores
	Pet supply stores
	Pet care services
	Cable networks
	Satellite communications
	Paging
	Cellular and other wireless communications
	Telecommunication resellers
	Credit card issuing
	Temporary help supply
	Telemarketing bureaus
	Interior design services
	Industrial design services
	Hazardous waste collection
	HMO medical centers
	Continuing care retirement communities
	Casino hotels
	Casinos
	Other gambling industries
	Bed and breakfast inns
	Limited service restaurants
	Automotive oil change and lubrication shops
	Diet and weight reducing centers

Health and Social Assistance

This new sector recognizes that it is sometimes difficult to distinguish between the boundaries of health care and social assistance. The industries are grouped in order from those providing the most intensive type of health care to those providing minimal health care with social assistance to those providing only social assistance.

There are 39 industries in this new sector, 27 of which are new. Some of the new industries include HMO Medical Centers, Family Planning Centers, Blood and Organ Banks, Diagnostic Imaging Centers, Continuing Care Retirement Communities, and Community Food Services. The sector also includes ambulance services transferred from Transportation, Communications, and Public Utilities.

Accommodation and Food Services

This sector includes lodging from Services and food services from Retail Trade

Arts, Entertainment, and Recreation

Those businesses engaged in meeting the cultural, entertainment, and recreational interests of their patrons are grouped together in this new sector. Casinos and other gambling businesses are recognized for the first time in NAICS, as are historical sites and sports teams and clubs. In all, there are 25 industries in the sector, 19 of which are new. While most of the industries in the sector come from the SIC Services division, others come from Retail Trade and Finance, Insurance, and Real Estate.

Other Services

This sector includes industries from Services; Agriculture, Forestry, and Fishing; Manufacturing; and Finance, Insurance, and Real Estate.

More Resources

More detailed information, including sector descriptions can be found at the U.S. Bureau of the Census internet site: <http://www.census.gov/epcd/www/naics.html>.

More details about the effect the transition will have on the dissemination of California employment data can be found at the California Employment Development Department internet site: <http://www.calmis.ca.gov/htmlfile/programs/naics.htm>.

FIGURE EIGHT

INFORMATION	51
Publishing industries, except Internet	511
Newspaper, book, and directory publishers	5111
Software publishers	5112
Motion picture and sound recording industries	512
Motion picture and video industries	5121
Sound recording industries	5122
Broadcasting, except Internet	515
Radio and television broadcasting	5151
Cable and other subscription programming	5152
Internet publishing and broadcasting	516
Internet publishing and broadcasting	5161
Telecommunications	517
Wired telecommunications carriers	5171
Wireless telecommunications carriers	5172
Telecommunications resellers	5173
Satellite telecommunications	5174
Cable and other program distribution	5175
Other telecommunications	5179
ISPs, search portals, and data processing	518
ISPs and web search portals	5181
Data processing and related services	5182
Other information services	519
Other information services	5191

SELECT INDICATORS

EMPLOYMENT

EMPLOYMENT (Seasonally adjusted)

	2002				2001	Yr-Over-Yr % Change
	Nov	Oct	Sep	Aug	Nov	
Civilian employment (000)	16,504	16,491	16,428	16,388	16,434	0.4
Unemployment (000)	1,130	1,143	1,129	1,116	1,068	5.8
Unemployment rate	6.4	6.5	6.4	6.4	6.1	--
Nonagricultural wage and salary employment (000)	14,647.0	14,657.5	14,645.6	14,662.7	14,644.2	0.0
Mining	23.6	23.5	23.3	23.3	24.2	-2.5
Construction	751.3	753.1	758.0	756.9	759.7	-1.1
Manufacturing	1,784.5	1,794.2	1,803.2	1,807.2	1,847.6	-3.4
Durable	1,104.9	1,112.0	1,115.8	1,121.4	1,157.5	-4.5
High technology a/	452.1	456.1	459.5	463.7	487.0	-7.2
Computer and office equipment	84.7	85.0	85.2	86.2	89.2	-5.0
Communications equipment	40.1	40.3	40.5	41.1	43.0	-6.7
Electronic components	136.2	137.6	139.1	140.7	149.8	-9.1
Aircraft and parts	63.6	64.3	64.2	64.3	69.3	-8.2
Missiles, spacecraft, and parts	18.6	18.7	18.9	19.0	19.7	-5.6
Search and navigation equipment	45.0	45.2	45.7	46.1	48.0	-6.3
Measuring and controlling devices	63.9	65.0	65.9	66.3	68.0	-6.0
Nondurable	679.6	682.2	687.4	685.8	690.1	-1.5
Transportation and public utilities	713.4	714.9	712.9	717.1	736.5	-3.1
Trade	3,371.7	3,372.8	3,370.9	3,370.9	3,338.0	1.0
Wholesale	811.1	812.1	811.5	812.4	809.0	0.3
Retail	2,560.6	2,560.7	2,559.4	2,558.5	2,529.0	1.2
Finance, insurance, and real estate	850.9	848.5	844.9	842.4	850.7	0.0
Services e/	4,679.5	4,683.6	4,678.9	4,671.0	4,673.6	0.1
Business services	1,245.8	1,246.0	1,252.4	1,251.7	1,280.7	-2.7
Motion pictures	169.3	173.7	173.5	171.9	176.4	-4.0
Amusement and recreation services	220.0	219.9	222.5	221.5	219.0	0.5
Engineering and management consulting	511.5	510.2	510.3	511.5	507.6	0.8
Government	2,472.1	2,466.9	2,453.5	2,473.9	2,413.9	2.4
Federal	262.6	260.1	256.7	257.4	255.6	2.7
State and local	2,209.5	2,206.8	2,196.8	2,216.5	2,158.3	2.4

HOURS & EARNINGS

HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)

Average weekly hours	40.8	40.6	40.9	40.9	41.0	-0.5
Average weekly earnings	\$617.30	\$612.25	\$615.14	\$612.68	\$610.49	1.1
Average hourly earnings	\$15.13	\$15.08	\$15.04	\$14.98	\$14.89	1.6

CONSUMER PRICES

CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)

All Urban Consumers Series						
California Average	n.a.	187.5	n.a.	186.8	n.a.	--
San Francisco CMSA	n.a.	194.3	n.a.	193.5	n.a.	--
Los Angeles CMSA	184.0	183.7	183.4	183.0	178.1	3.3
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	180.4	n.a.	179.6	n.a.	--
San Francisco CMSA	n.a.	190.0	n.a.	189.3	n.a.	--
Los Angeles CMSA	177.0	176.5	176.3	175.6	170.7	3.7

CONSTRUCTION

CONSTRUCTION

Private residential housing units authorized (000) b/	179.2	221.2	176.0	157.4	141.6	26.6
Single units	123.1	151.7	126.3	122.9	98.8	24.6
Multiple units	56.1	69.5	49.7	34.4	42.8	31.1
Residential building authorized valuation (millions) c/	\$3,169	\$3,489	\$2,827	\$2,768	\$2,264	40.0
Nonresidential building authorized valuation (millions) c/	\$1,236	\$1,151	\$1,082	\$1,281	\$1,177	5.0
Nonresidential building authorized valuation (millions) d/	\$1,073	\$1,254	\$1,175	\$1,358	\$1,022	5.0
Commercial	394	342	402	451	313	25.8
Industrial	94	156	98	123	76	23.0
Other	202	268	261	324	198	2.2
Alterations and additions	383	488	414	459	435	-11.9

AUTO SALES

AUTO SALES (Seasonally adjusted)

New auto registrations (number)	n.a.	149,065	149,694	157,750	157,890	--
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a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

e/ Only select industry components are shown therefore will not add to total.

n.a. Not available

**SELECT
INDICATORS**
(CONTINUED)

VACANCY RATES

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**VACANCY RATES FOR THIRD QUARTER 2002
(Percent)**

	Office			Industrial
	<u>Downtown</u>	<u>Suburban</u>	<u>Total</u>	
Northern and Central California:				
Oakland-East Bay	14.8	13.9	14.1	--
Sacramento	6.9	10.8	9.9	15.1
San Francisco	17.2	22.9	19.0	12.1
San Jose	19.3	23.8	22.9	--
Southern California:				
Los Angeles Metro	16.2	13.2	13.7	8.9
Orange County	--	16.6	16.6	--
San Diego	9.4	11.8	11.3	9.1
Ventura County	--	13.4	13.4	--
National Average	12.9	16.5	15.1	11.4

MEDIAN PRICES

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MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

2001				2002			
Jan	\$244,110	Jul	267,520	Jan	\$289,520	Jul	323,700
Feb	241,690	Aug	277,430	Feb	298,310	Aug	332,970
Mar	257,550	Sep	275,620	Mar	305,970	Sep	322,480
Apr	255,310	Oct	263,020	Apr	317,100	Oct	322,730
May	255,860	Nov	274,680	May	319,570	Nov	
Jun	267,410	Dec	285,110	Jun	323,300	Dec	

LEADING INDICATORS/A

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Initial Claims	Incorporations	(Thousands)
1997	Jan	4.7	41.5	66,099	4,693	90.5
	Feb	4.8	41.8	56,057	4,357	122.6
	Mar	5.1	42.2	58,697	3,571	98.7
	Apr	5.0	41.9	59,817	3,948	102.4
	May	4.9	41.8	59,392	4,479	108.2
	Jun	4.9	41.7	63,425	4,375	108.4
	Jul	4.9	41.7	62,005	4,751	112.3
	Aug	5.1	42.0	63,337	4,245	114.3
	Sep	5.1	42.0	64,162	4,755	121.2
	Oct	4.9	42.0	61,530	4,733	127.9
	Nov	5.0	42.2	58,333	4,410	117.1
	Dec	5.2	42.2	58,721	4,853	108.8
1998	Jan	5.1	42.2	56,302	4,675	105.8
	Feb	5.0	41.9	60,117	4,581	111.7
	Mar	4.9	41.9	58,716	4,609	128.8
	Apr	4.5	41.1	57,976	5,081	116.6
	May	4.7	41.8	58,946	4,487	121.6
	Jun	4.8	41.9	54,135	4,725	142.9
	Jul	4.7	41.9	54,275	4,857	117.5
	Aug	4.6	41.7	52,786	4,386	137.2
	Sep	4.5	41.4	50,763	3,757	125.9
	Oct	4.6	41.8	52,856	4,682	137.2
	Nov	4.6	41.7	54,747	4,685	139.9
	Dec	4.6	41.8	53,745	4,680	126.8
1999	Jan	4.7	42.3	52,152	4,875	138.3
	Feb	4.7	41.9	52,800	5,119	133.9
	Mar	4.6	42.0	53,077	6,033	138.1
	Apr	4.7	41.9	53,310	5,082	133.2
	May	4.8	42.0	50,340	5,238	132.6
	Jun	4.6	41.9	51,519	5,569	158.9
	Jul	4.5	41.7	51,002	5,353	147.0
	Aug	4.6	41.5	51,037	5,808	133.2
	Sep	4.5	41.3	50,218	5,906	138.8
	Oct	4.7	41.6	49,393	5,614	131.9
	Nov	4.8	41.5	51,634	5,874	141.2
	Dec	4.9	41.5	44,723	6,674	150.3
2000	Jan	5.0	41.7	50,876	6,400	153.9
	Feb	4.9	41.4	49,482	6,930	151.3
	Mar	4.7	41.4	47,312	8,331	157.6
	Apr	5.2	41.9	45,719	7,557	125.2
	May	5.0	41.6	47,828	6,585	137.7
	Jun	5.0	41.7	49,339	7,330	180.7
	Jul	5.1	41.7	48,033	7,325	132.5
	Aug	5.0	41.7	47,831	7,015	150.9
	Sep	5.0	41.9	47,537	7,268	143.4
	Oct	5.1	41.8	49,454	7,236	136.1
	Nov	4.9	41.6	48,436	7,345	160.3
	Dec	4.8	41.5	52,027	6,494	157.0
2001	Jan	4.5	41.1	48,238	7,344	203.6
	Feb	4.6	41.3	49,840	6,441	141.8
	Mar	4.4	41.1	53,235	6,469	146.6
	Apr	3.9	40.5	55,088	6,227	149.0
	May	4.3	41.0	55,953	6,785	153.9
	Jun	4.3	40.9	54,962	6,413	138.0
	Jul	4.3	41.1	55,836	6,495	129.4
	Aug	4.4	41.3	57,578	7,267	155.6
	Sep	4.3	41.2	60,049	6,213	112.3
	Oct	3.9	40.7	65,425	7,171	151.8
	Nov	3.9	40.7	56,454	7,276	141.6
	Dec	4.0	40.8	46,950	6,957	164.4
2002	Jan	4.0	40.7	69,037	7,019	156.9
	Feb	4.2	41.1	53,411	6,871	171.3
	Mar	4.3	41.2	59,870	7,199	143.8
	Apr	4.3	41.1	67,385	7,324	158.6
	May	4.4	41.1	60,268	8,671	155.8
	Jun	4.3	41.0	59,416	6,985	137.9
	Jul	4.1	40.4	63,359	7,188	175.8
	Aug	4.2	40.8	61,672	7,574	157.4
	Sep	4.0	40.8	61,781	7,814	176.0
	Oct	3.7	40.4	64,707	n.a.	221.2
	Nov	3.8	40.5	56,294	n.a.	179.2

a/ Seasonally adjusted by the California Department of Finance.

n.a. Not available

COINCIDENT INDICATORS/A

EMPLOYMENT, UNEMPLOYMENT

— . . . —

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1998	Jan	13,407	1,951	6.1	336
	Feb	13,423	1,954	6.1	364
	Mar	13,445	1,956	6.0	366
	Apr	13,486	1,958	6.0	368
	May	13,539	1,964	6.0	355
	Jun	13,584	1,962	5.9	353
	Jul	13,602	1,955	5.9	351
	Aug	13,662	1,954	5.9	356
	Sep	13,709	1,953	5.9	356
	Oct	13,726	1,944	5.8	333
	Nov	13,770	1,936	5.8	352
	Dec	13,788	1,928	5.8	368
1999	Jan	13,783	1,921	5.6	355
	Feb	13,821	1,919	5.6	368
	Mar	13,841	1,920	5.5	375
	Apr	13,901	1,921	5.4	364
	May	13,929	1,920	5.3	373
	Jun	13,961	1,921	5.2	376
	Jul	14,014	1,925	5.1	349
	Aug	14,043	1,923	5.0	352
	Sep	14,064	1,927	5.0	367
	Oct	14,137	1,931	4.9	345
	Nov	14,174	1,929	4.9	344
	Dec	14,196	1,926	5.0	342
2000	Jan	14,249	1,928	5.0	357
	Feb	14,300	1,929	5.0	346
	Mar	14,342	1,932	5.1	353
	Apr	14,391	1,939	5.0	338
	May	14,460	1,944	5.1	326
	Jun	14,498	1,952	5.1	333
	Jul	14,524	1,951	5.1	334
	Aug	14,559	1,954	5.0	335
	Sep	14,587	1,957	4.9	316
	Oct	14,603	1,959	4.8	333
	Nov	14,631	1,963	4.8	343
	Dec	14,683	1,969	4.7	319
2001	Jan	14,729	1,971	4.7	351
	Feb	14,718	1,964	4.7	354
	Mar	14,719	1,957	4.8	360
	Apr	14,721	1,934	5.0	387
	May	14,710	1,921	5.1	414
	Jun	14,689	1,904	5.2	424
	Jul	14,702	1,897	5.3	450
	Aug	14,721	1,884	5.5	472
	Sep	14,701	1,873	5.7	483
	Oct	14,689	1,859	5.9	541
	Nov	14,644	1,848	6.1	510
	Dec	14,656	1,843	6.1	510
2002	Jan	14,672	1,843	6.4	505
	Feb	14,665	1,840	6.2	533
	Mar	14,672	1,838	6.5	516
	Apr	14,668	1,831	6.5	542
	May	14,655	1,823	6.4	557
	Jun	14,659	1,824	6.5	546
	Jul	14,648	1,814	6.4	558
	Aug	14,663	1,807	6.4	531
	Sep	14,646	1,803	6.4	546
	Oct	14,658	1,794	6.5	563
	Nov	14,647	1,785	6.4	507

INCOME, WAGES, TAXABLE SALES

— . . . —

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1998	Qtr I	904,098	107,947	87,246
	Qtr II	921,594	110,725	89,126
	Qtr III	936,863	112,581	90,733
	Qtr IV	963,701	118,465	91,120
1999	Qtr I	952,645	116,442	93,739
	Qtr II	979,378	120,132	97,146
	Qtr III	1,004,877	127,321	99,747
	Qtr IV	1,042,548	132,822	103,096
2000	Qtr I	1,072,564	144,059	107,393
	Qtr II	1,087,119	140,913	109,940
	Qtr III	1,120,616	149,186	111,702

OTHER INDICATORS

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1991-92	23,843	21.2	2001		2002	
1982-83	26,387	22.2	1992-93	22,952	20.1	Jan	31,457	Jan	24,205
1983-84	28,520	23.0	1993-94	22,573	20.5	Feb	27,796	Feb	24,197
1984-85	29,115	20.8	1994-95	18,277	16.8	Mar	31,866	Mar	26,263
1985-86	27,738	20.4	1995-96	18,230	16.7	Apr	28,116	Apr	27,081
1986-87	24,515	18.4	1996-97	18,477	17.3	May	27,833	May	27,382
1987-88	23,458	18.7	1997-98	17,401	15.9	Jun	28,995	Jun	28,972
1988-89	23,125	19.3	1998-99	17,372	15.1	Jul	28,097	Jul	28,333
1989-90	22,312	18.4	1999-00	18,100	14.7	Aug	28,565	Aug	29,634
1990-91	24,265	19.5	2000-01	19,939	13.6	Sep	27,219	Sep	28,764
						Oct	29,570	Oct	27,547
						Nov	26,499	Nov	
						Dec	25,184	Dec	

a/ U.S. fiscal year: October through September

TECHNICAL NOTE

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

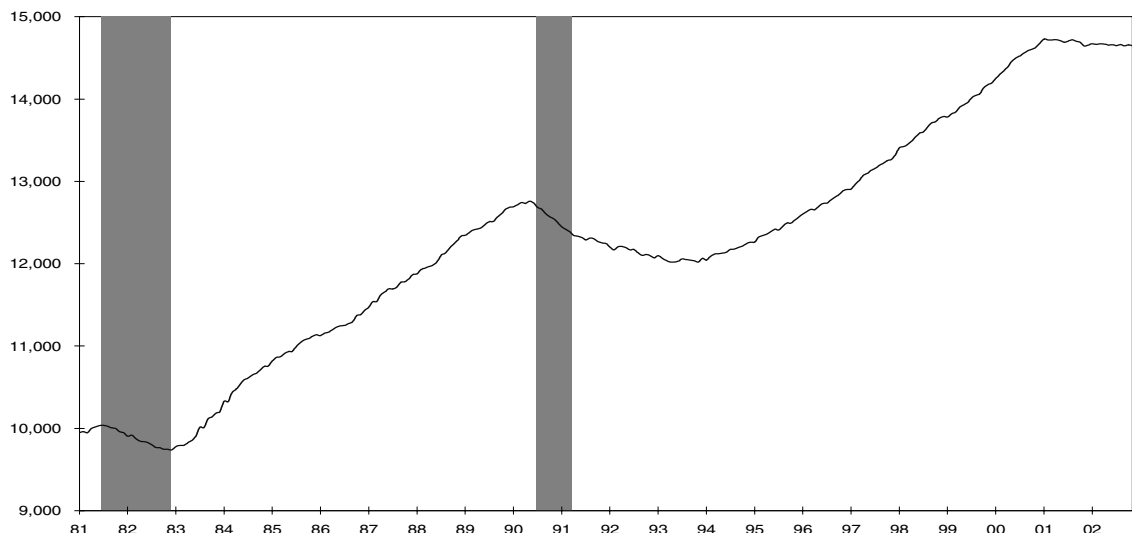
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

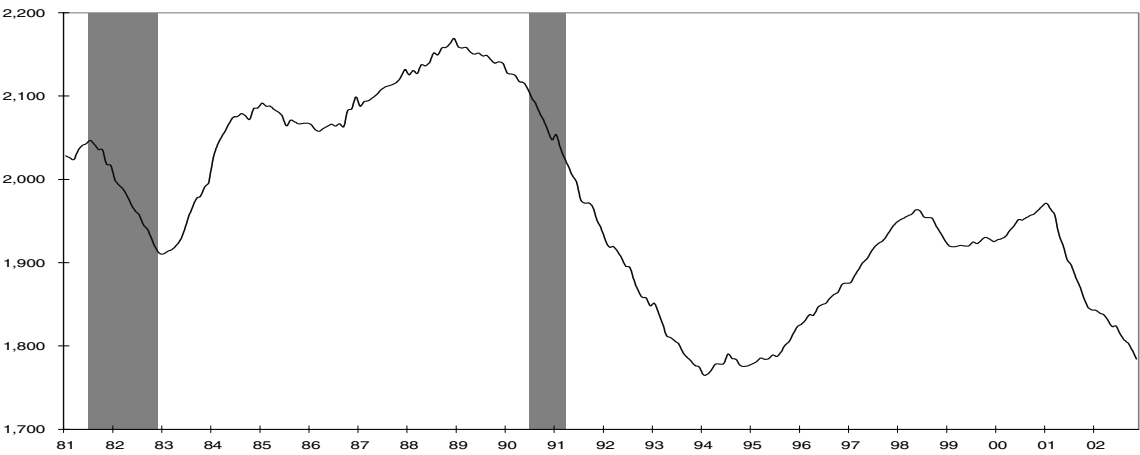
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

NONAGRICULTURAL EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)



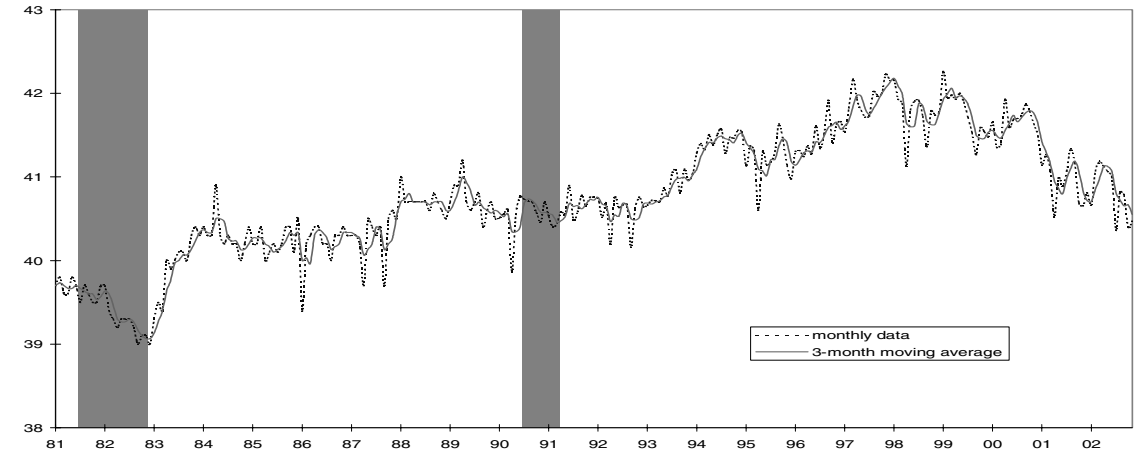
**MANUFACTURING
EMPLOYMENT**
(THOUSANDS,
SEASONALLY ADJUSTED)

— . . . —



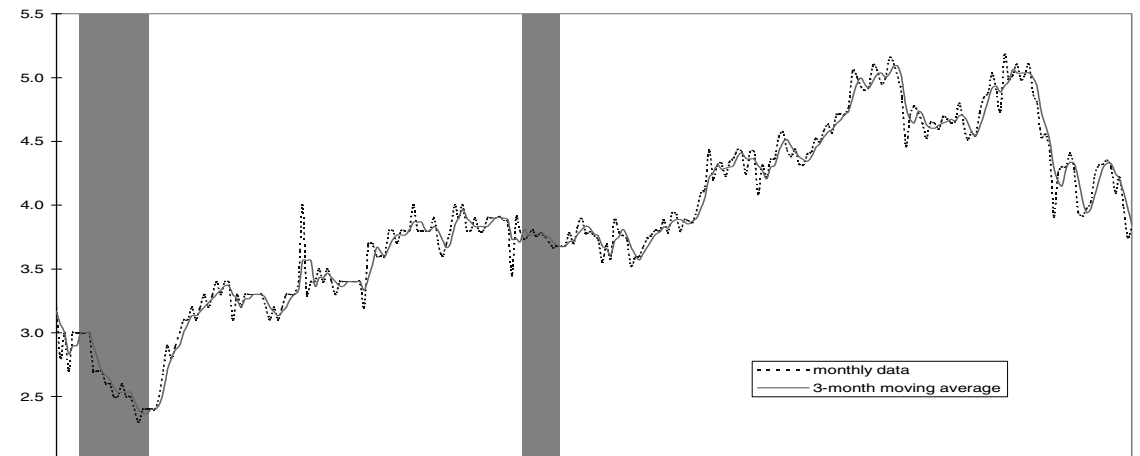
**AVERAGE WEEKLY
HOURS,
MANUFACTURING**
(SEASONALLY ADJUSTED)

— . . . —



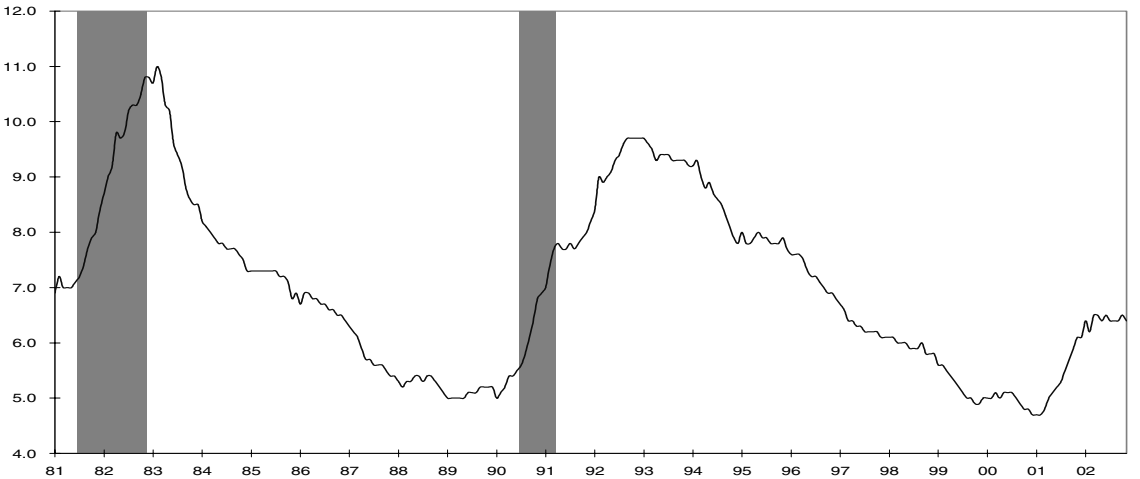
**AVERAGE OVERTIME
HOURS,
MANUFACTURING**
(SEASONALLY ADJUSTED)

— . . . —



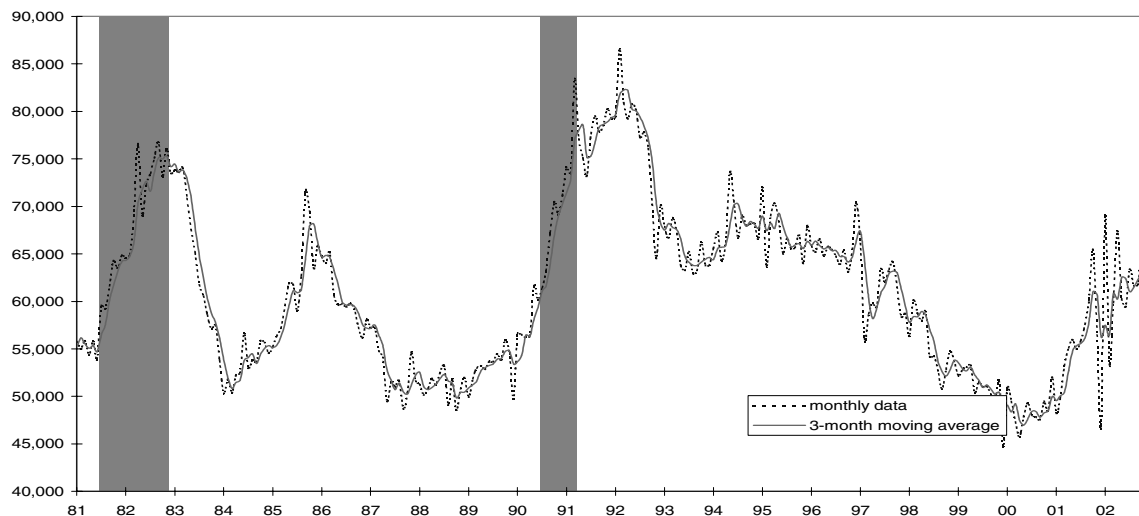
**UNEMPLOYMENT
RATE**
(PERCENT)

— . . . —



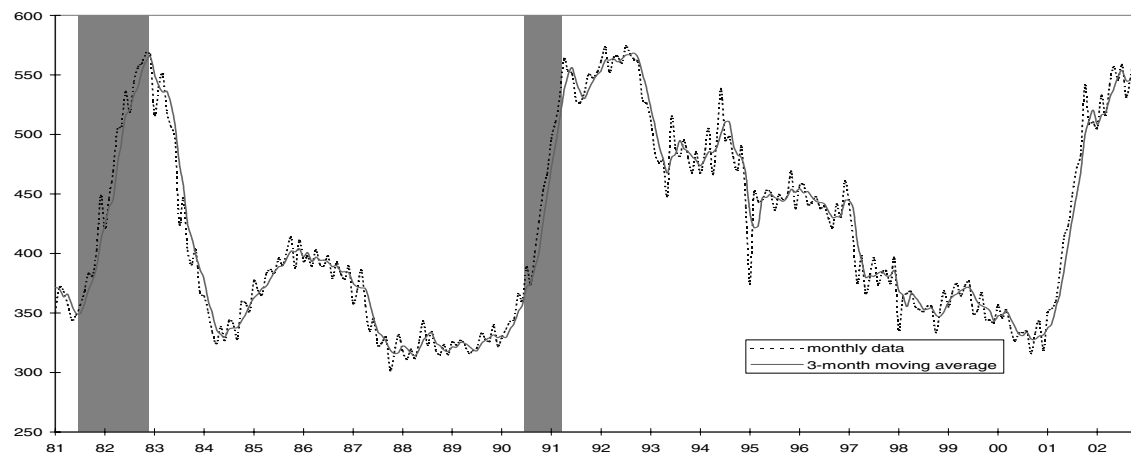
**INITIAL &
TRANSITIONAL
CLAIMS FOR
UNEMPLOYMENT
INSURANCE**
(WEEKLY AVERAGE,
SEASONALLY ADJUSTED)

— . . . —



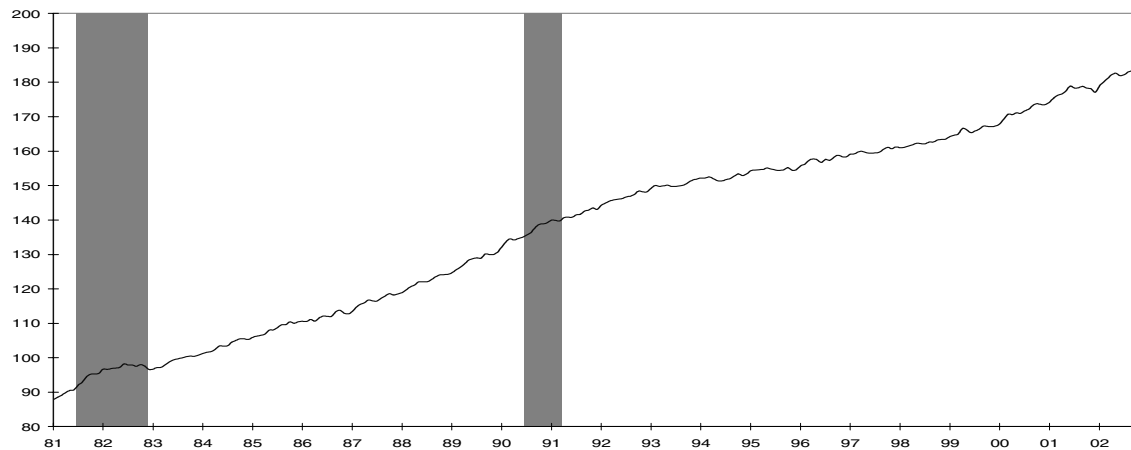
**UNEMPLOYMENT,
AVERAGE WEEKS
CLAIMED**
(THOUSANDS, SEASONALLY
ADJUSTED)

— . . . —



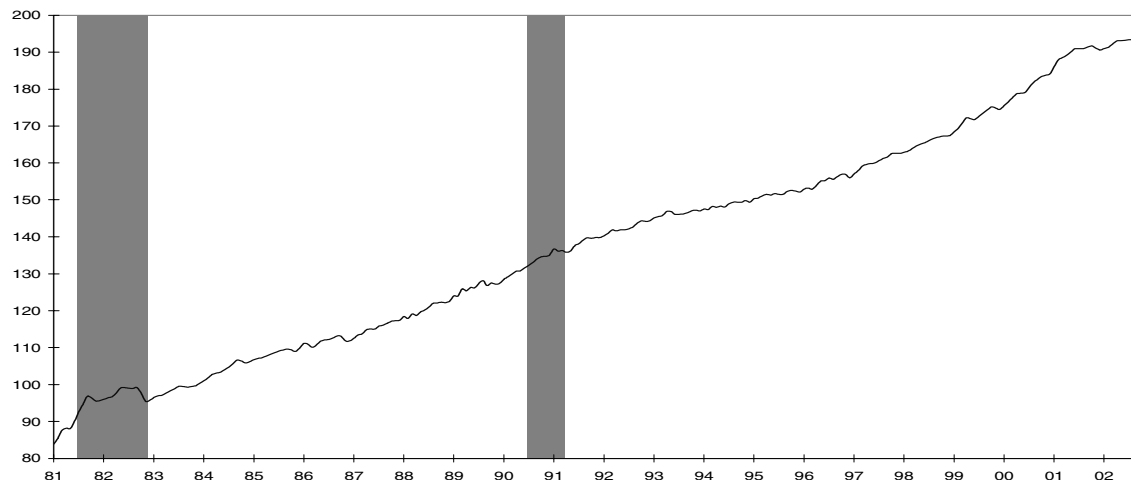
**CONSUMER PRICE
INDEX,
LOS ANGELES**
(1982-84=100)

— . . . —



**CONSUMER PRICE
INDEX,
SAN FRANCISCO**
(1982-84=100)

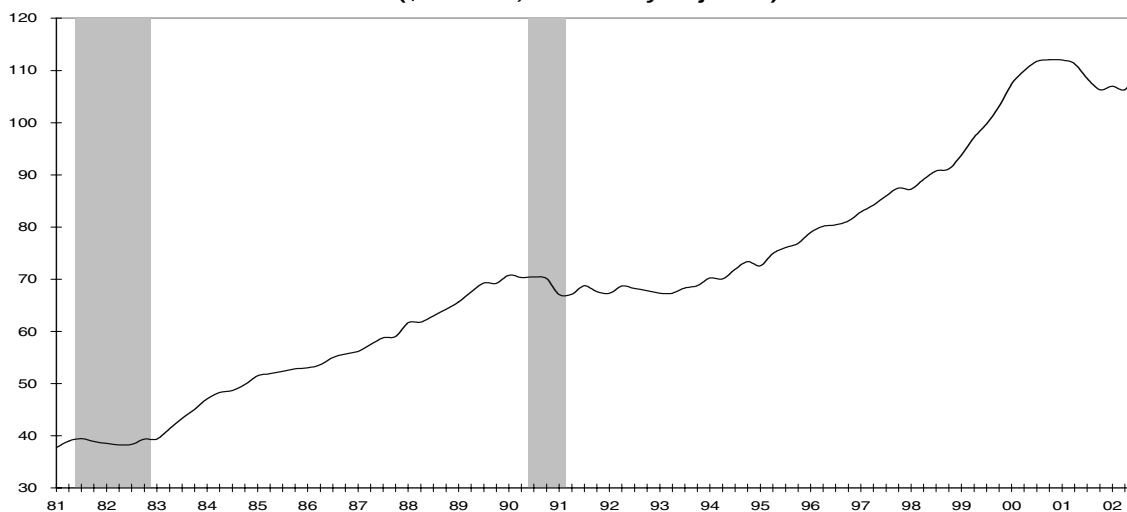
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TAXABLE SALES

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

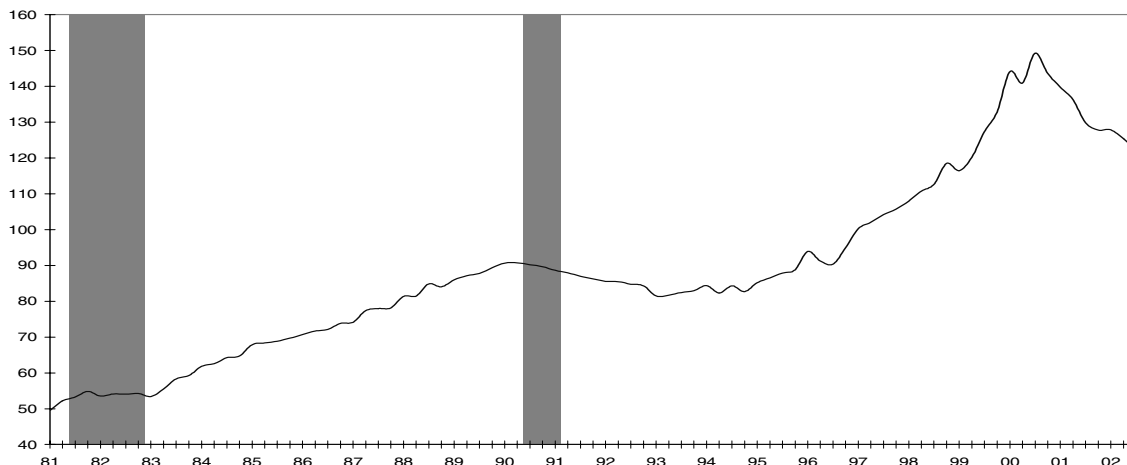
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WAGES AND SALARIES IN MINING, CONSTRUCTION AND MANUFACTURING

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

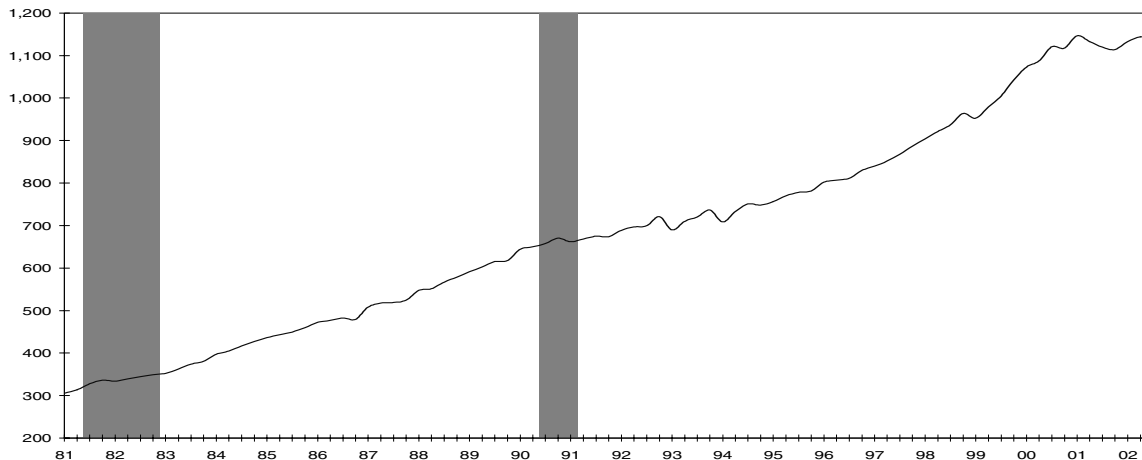
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PERSONAL INCOME

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

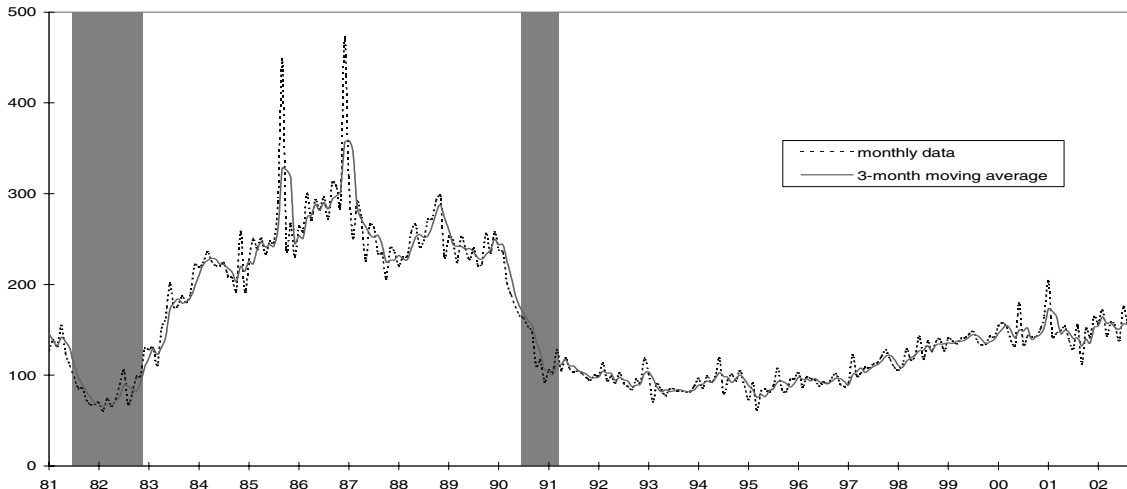
— . . . —



NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS

(THOUSANDS, SEASONALLY ADJUSTED AT ANNUAL RATE)

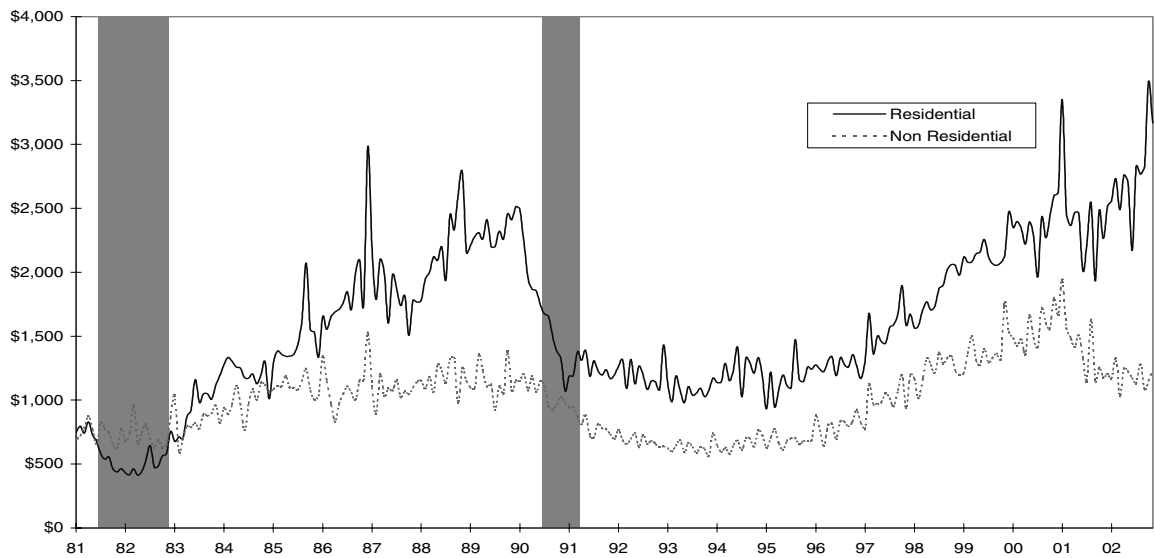
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RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)

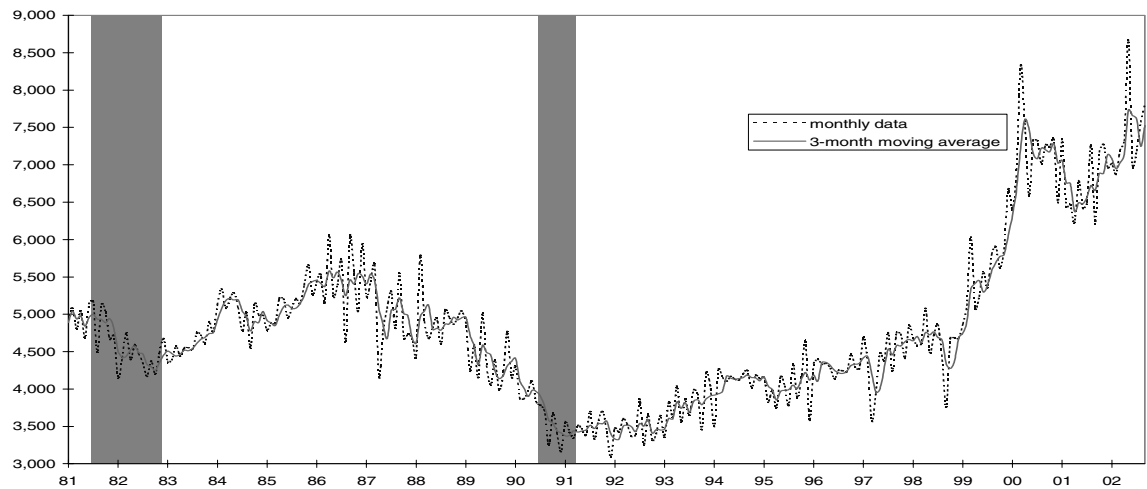
— . . . —



NEW BUSINESS INCORPORATIONS

(SEASONALLY ADJUSTED)

— . . . —



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

2000

July 28

GDP 2nd quarter grew at an annual rate of 5.2 percent.

August -

World oil prices are rising because of increasingly tight supplies. U.S. inventories are at their lowest level since 1976 and crude prices have increased significantly contributing to costlier gasoline and heating oil.

September 19

China was granted permanent normal trade relations status with the U.S.

September 28

GDP growth rate for 2nd quarter was revised to 5.6 percent.

October 18

Social Security and Supplemental Security income payments will increase by 3.5 percent in 2001, the biggest in almost a decade.

October 31

OPEC plans to increase oil production by 500,000 barrels per day making it the fourth increase this year.

December 21

GDP for 3rd quarter grew at an annual rate of 2.2 percent.

January 1	California's minimum wage raised from \$5.75 to \$6.25. The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%.
January 3	Federal funds rate reduced to 6.0 percent from 6.5 percent. Discount rate reduced to 5.5 percent from 6.0 percent.
January 17	OPEC to cut oil production by 1.5 million barrels a day, or 5.6 percent of current output.
January 31	Federal funds rate reduced from 6.0 percent to 5.5 percent. Discount rate reduced from 5.5 percent to 5.0 percent.
March 19	OPEC to cut oil production by 1 million barrels a day.
March 19-20	California suffered rolling blackouts.
March 20	Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent.
March 27	California regulators approved retail electric rate increase.
March 29	GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years.
April 6	PG&E utility unit files for bankruptcy.
April 18	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
April 23	A Tosco refinery explosion pushed gasoline prices to near record highs.
April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7-8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.
August 21	Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.
September 11	Terrorists attack World Trade Center and the Pentagon.
September 11-14	U.S. stock trading halts.
September 17	Federal funds rate reduced from 3.50 percent to 3.00 percent. Discount rate reduced from 3.00 percent to 2.50 percent. Dow Jones Industrials record biggest point drop in history, falling 684.41.

- October 2** Federal funds rate reduced from 3.00 percent to 2.50 percent.
Discount rate reduced from 2.50 percent to 2.00 percent.
- October 26** Lockheed Martin Corporation awarded defense contract.
- November 6** Federal funds rate reduced from 2.50 percent to 2.00 percent.
Discount rate reduced from 2.00 percent to 1.50 percent.
- November 26** Recession in the US began in March 2001, according to NBER.
- December 2** Enron filed for bankruptcy protection.
- December 11** Federal funds rate reduced from 2.00 percent to 1.75 percent.
Discount rate reduced from 1.50 percent to 1.25 percent.
China becomes WTO member.
- December 21** GDP down 1.3 percent in Q3.
- December 31** Markets fall for a second straight year for the first time since 1974.

2002

- January 1** Taiwan becomes WTO member.
OPEC to cut oil production by 6.5 percent.
Euro becomes legal tender in 12 European countries.
- January 6** Unemployment insurance benefits increased in California.
- February 28** GDP up 1.4 percent in Q4.
- March 9** California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
- March 28** GDP up 1.7 percent in Q4.
- April 25** Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest.
- May 13** President Bush signed a 10-year, \$190 billion farm bill that promises to expand subsidies to growers.
- June 27** GDP up 6.1 percent in Q1.
- July 5** Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997.
- July 8** Intel launches its Itanium 2 chip.
- July 10** President Bush called for stiffer penalties to eradicate corporate fraud.
- July 15** Pfizer to buy Pharmacia.
- July 16** The dollar sank against the euro for the first time in more than two years.
Intel to eliminate 4,000 jobs.
- July 21** WorldCom filed for bankruptcy protection.
- July 22** The Dow Jones industrial average sank to its lowest level in nearly four years.
Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997.
- July 30** President Bush signed into law the Public Company Accounting Reform and Investor Protection Act.

CALIFORNIA
DEPARTMENT
OF FINANCE

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EIGHTH FLOOR
SACRAMENTO, CA
95814

BEGINNING ISSUE	AMOUNT DUE
JAN/FEB	\$8.00
MAR/APR	6.75
MAY/JUNE	5.40
JULY/AUG	4.05
SEPT/OCT	2.70
NOV/DEC	1.35

2002

July 31

GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters.

Venture capital investments hit four-year low.

August 8

IMF signed an emergency loan to Brazil.

August 11

U.S. Airways filed for bankruptcy.

August 20

The U.S. trade deficit narrowed in June, following two straight record monthly deficits.

September 27-

October 9:

Cargo operations at 29 West Coast ports ground to a halt when terminal operators locked out unionized workers.

November 6

Federal funds rate reduced from 1.75 percent to 1.25 percent.

Discount rate reduced from 1.25 percent to 0.75 percent.

December 9

United Airlines filed for bankruptcy protection.

December 19

Standard & Poor's lowered California's bond rating to an A from an A+.

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